

**COMMISSION ON THE NATIONAL GUARD
AND RESERVES**

HEARING ON EMPLOYER AND FAMILY SUPPORT

EMPLOYER SUPPORT

FEATURED WITNESSES:

**TED DAYWALT, CEO AND PRESIDENT,
VETJOBS, MARIETTA, GEORGIA**

**WILLIAM D. ELMORE, ASSOCIATE ADMINISTRATOR,
OFFICE OF VETERANS BUSINESS DEVELOPMENT,
U.S. SMALL BUSINESS ADMINISTRATION**

**DR. HEIDI L. W. GOLDING, PRINCIPAL ANALYST,
NATIONAL SECURITY DIVISION, CONGRESSIONAL BUDGET OFFICE**

**DR. L. GORDON SUMNER, JR., EXECUTIVE DIRECTOR,
NATIONAL COMMITTEE FOR EMPLOYER SUPPORT
OF THE GUARD AND RESERVE**

**9:00 – 11:00 A.M.
THURSDAY, MAY 17, 2007**

*Transcript by:
Federal News Service
Washington, D.C.*

ARNOLD PUNARO: Just almost there, sir. Good morning. Commission will come to order. We have three panels today to continue the commission's exploration of a critical, and frankly in my mind one of the most critical components of our national defense capability, and we're talking of course about the high quality young men and women who wear the nation's uniform, and particularly when we're talking about the Guard and Reserve, we're talking about the businesses where they work in their civilian capacities, we're talking about the support they have from their key volunteers and many other factors.

At the current pace of operations, we've heard testimony yesterday as well as in all our previous hearings as well our examinations and visits to the field about some of the strains that the volunteer force is feeling both on the active, and particularly on the Guard and Reserve side. This is particularly evident in the Guard and Reserve, which has evolved from its historic role as a strategic force geared primarily for large scale mobilizations to a highly operational force serving in some cases lengthy and repeated tours in the combat theatre, and all the testimony we've had over the course of the last year is that the active component just can't meet these demands without the Guard and Reserve. So it's not like this is going to change anytime in the near future.

So our focus today is on the two critical influences of recruiting and retention, and that is families and employers. As noted in the commission's March 1 report, there are troubling indications on the horizon. The December 2005 Defense Manpower Data Center survey of spouse/significant other favorability to continued participation in the National Guard and Reserve showed a continued downward trend, a three percentage point decline from June to December 2005, and an 18 percentage point decline since May 2003. We certainly hope updated DMDC survey data for 2006 will show an improvement in that trend, but I don't believe anybody we've talked to really expects that, but we don't have the data yet.

Similarly, the National Military Families Association's cycles of deployment survey conducted April to September 2005 reported quote: "that Army and National Guard and Reserve families experience family separations of close to 18 months," and that quote, "these families are quick to point out they're experiencing the longest family separations of any service families, and that the length of these deployments is having a detrimental effect." On the employer side, as directed by Congress, DOD has developed a Civilian Employment Information database on the civilian employment and job skills of members of the National Guard and Reserve. To date, I don't believe DOD has surveyed the employers themselves, although we're advised by the office of the Assistant Secretary of Defense for Reserve Affairs Tom Hall they're working on fielding such a survey. Is my recollection from some previous briefings that's been in the works for a long time, so it doesn't sound like they're moving very quickly on it. I hope they're doing it, but I

don't believe they're moving very quickly on it. But that's certainly understandable with everything else they have going on.

But we really do, I think, one of the things we're going to try to get our witnesses to talk to us about today, we don't want to operate in a fact-free environment, we don't want to operate on anecdotes. I think we need some hard, cold facts to look at in these areas. As a result, the data on employer impact that are currently available come from informal private sector surveys, such as the one conducted online in January by Workforce Management Magazine. This online survey found that more than half of the companies responding said that they would not hire guardsmen or reservists, current legal restrictions on hiring discrimination notwithstanding if they quote: "as an employer, knew that a military reservist or National Guard member could be called up and taken away from their job for an indeterminate amount of time." So from today's hearing we hope to get a deeper understanding of family member and employer issues and concerns, as well as specific recommendations for changes in law and policy that would foster and improve compact between DOD and these two critical groups of influencers.

Our first panel is composed of William D. Elmore, associate administrator for Veterans Business Development, Small Business Administration. For those that are not familiar with the SBA, they're kind of a government Rock of Gibraltar when it comes to significantly promoting our ability of our small businesses in our country, and frankly, I believe the data will show that we have a lot more small businesses, in fact vastly more small businesses than we have large businesses, and that small businesses are the bedrock of our economy. This is a go-to-outfit in government that really does a heck of a lot of positive things in the small business area and particularly for veterans.

Dr. L. Gordon Sumner Jr., the new executive director of the Employer Support of the Guard and Reserve are a critically important organization in working with businesses.

Dr. Heidi Golding, principal analyst, Congressional Budget Office and author of the May 2005 CBO paper entitled "The Effects of Reserve Call-Ups on Civilian Employers," and we bragged about CBO yesterday in our hearing, so we won't brag about them again today, but it's again one of those organizations that's so essential to government because they provide objective analytical information on a wide variety of subjects and they don't deal in opinions; they deal in facts.

And Theodore L. Daywalt, CEO of VetJobs, an individual that has a lot of experience in this area.

Then for our second panel this morning we'll receive testimony from a group of five employers themselves ranging in size from very small to large company including one public sector employer. And then our final panel this afternoon will provide a spouse and family member perspective including a discussion of current programs available to assist Reserve and Guard families in coping with the many challenges of deployment, particularly for those who live a considerable distance from military support networks, as do most of the people in the Guard and Reserve. They do not reside near Camp

Pendleton, Camp Lejeune, Fort Bragg, Fort Hood and they don't have that network that the active duty military has, the active duty military deploys from a major military installation, most of their families live and are educated on those installations and shop and recreate on those installations, they come home to those installations. That is absolutely not what happens with the Guard and Reserve.

Several of our current panelists have testified before Congress more than once in the past few months and can offer unique expertise on employer issues and concerns. In addition, we hope you will also provide your perspective on how current DOD and other governmental programs could be improved to strengthen the compact between DOD employers as well as any other suggestions for changes in laws and policies. Finally, we welcome your suggestion of ways to mitigate the impact on small businesses that often bear the brunt of the burden when their National Guard and Reserve employees are mobilized.

Thank you again for your participation in this morning's discussion, for your great service to our country. We look forward to your testimony. Without objections, your entire prepared statements will be made part of the hearing record, and with that, Mr. Elmore, why don't we start with you, and we'll just go from left to right.

WILLIAM ELMORE: Let me make sure I have this on. Chairman Punaro, and other distinguished commission members, thank you for the opportunity to present the views of the U.S. Small Business Administration for your consideration. The agency wishes to play its part in ensuring that the National Guard and Reserve are fully supported to best meet the national security requirements of the United States. Excuse me.

You asked me to address three broad areas including what do we do to ensure that the relationship between reserve component employees and their employers stay strong, what current programs could be improved to keep employers apprised of federal laws and regulations concerning reserve component members employment, and what can be done to lessen the impact on a small business of a mobilization of a reserve component employee. I will attempt to address these three questions in my comments and recommendations overview.

According to 1992 Department of Defense report, following the Gulf War I, economic injury can and does occur to self-employed and small business owners who are reserve component members during Title 10 activations. The report gave the following findings. Approximately six percent of mobilized Reserve and National Guard were self-employed. This is Gulf War I. Approximately one-third of the self-employed were officers and approximately two-thirds were enlisted. Approximately 17 percent were in the medical related fields. Approximately 40 percent of enlisted were in the construction or mechanical fields. Approximately 45 percent of the self-employed officers lost income, and 55 percent of the self-employed enlisted lost income. More than two-thirds of all self-employed mobilized for Desert Storm Desert Shield lost income. Eighty percent of self-employed officers and 70 percent of self-employed enlisted incurred post-

activation expenses. And 90 percent of self-employed officers and 65 percent of self-employed enlisted suffered post-activation income losses, and 48 percent of all the self-employed small businesses suffered serious or moderate economic damage when the owner was activated and deployed. Let me address to your directly.

One: what does SBA do to ensure that the relationship between reserve component employees and their employers stay strong? We have many programs in place, and Mr. Chairman, thank you for your kind comments at the beginning. We have many programs in place to assist small businesses when the owner is called to serve. In outreach and business counseling following September 11th 2001 attacks, we created a special agency committee, and began to coordinate our efforts across the agency to reach out to, to offer assistance to self-employed reservists and those at risk of economic injury because of activations. SBA created a special reservist web page, and we've had over 700,000 visits to that since 2002, and we met with the Defense Department's office of the assistant secretary for Reserve Affairs to begin coordination of SBA outreach to the reservists. This meeting led to our ongoing collaboration efforts with the assistant secretary's office, with ESGR and with others to conduct that outreach, and I'm pleased to get an opportunity to sit next to the new ESGR executive director because I know we're going to be working together a lot.

SBA also changed. Our business counseling and training program agreements with our 1,100 Small Business Development Centers to specifically target outreach and assistance for individual reserve component small business owners and to Reserve and Guard units themselves. Our agency's second largest business counseling program SCORE has created special online counseling and mentoring assistance for reserve component members, and some of our local SCORE chapters, and we have about 40 chapters and almost 11,000 volunteers in SCORE, half of which are veterans, by the way. Some of our local chapters have created special efforts with Reserve and Guard in their areas; California and Omaha, Nebraska come to mind specifically. In addition, my office changed our written agreements with our five Veteran's Business Outreach Centers and included in their outreach end service delivery reserve component members and outreach to Reserve units as well.

We also threw a special effort that we call District Office Veterans' Outreach Initiative include direction to our district offices and we provide them competitive small grants to do this, to engage with reservists, Reserve units, state adjuncts and generals, ESGR at the state level, and any other system of organization that can identify that may be of assistance in reaching and offering assistance, our business counseling in training and funding assistance to reservist small businesses.

Let me talk quickly about our Military Reservist Economic Injury Disaster Loan, our "Mr. Eidl" as some people call it. The purpose of the MREIDL loan program is to provide funds to eligible small businesses to meet its ordinary and necessary operating expenses that could have met but is unable to meet because an essential employee, and that can include the owner was called up to active duty in their role as a military reservist. To be eligible for an MREIDL, a small business must suffer economic injury during the

activation of the essential employee, and the proceeds of the loan may be used to meet obligations as they occur, pay ordinary and necessary operating expenses, that is working capital, and enable the business to market produce or provide its normal goods and services that cannot be provided due to the call-up of the essential employee.

Since August of 2001, we have approved 272 MREIDL loans for a total of \$24,712,000 on average of just slightly less than \$91,000 per loan. And we have a special website for the MREIDL program and that's in the testimony. It's kind of long to explain verbally.

Two: what current programs could be improved to keep employers apprised of federal laws and regulations concerning Reserve component members employment? Since 2001, we have produced and distributed more than 400,000 of what we call "Reserve and Guard Fact Sheets," and 225,000 of those were inserted into demobilization kits with the assistance of ESGR, and we thank you again for that. We also have produced what we call "Reserve and Guard Business Planning Kits," and I believe we've provided each of you a copy of that, and we've disseminated more than 40,000 of those to all of our partners, internal partners, all of our program partners, all of our field offices, and to our external partners as well including ESGR, Department of Labor, (one stops ?) any other locations that we can identify, and we also respond to requests for those kits. So anybody that contacts my office and asks for those kits, we will produce them internally and we'll send them 10 or 100, and in fact, I think our largest request so far has been for 1,000, and we're preparing that now, and I have a staff person with me who can give us details if we need them.

We have also provided testimony to Congress on numerous occasions, and we worked to coordinate our outreach activity with our SBA programs and our partners and with the Departments of Defense, Department of Labor and Department of Veterans Affairs. While improved services are being delivered to veterans, reservists, and discharging service members in most of SBA's core programs, Administrator Preston and Deputy Administrator Carranza have tasked each program office at SBA with reviewing how their programs support veteran small business owners, and that includes reservists, and we are in the process of identifying additional and more specific steps that every program can take to better deliver SBA assistance to veterans, reservists, discharging service members and family members.

Three: what can be done to lessen the impact on a small business of the mobilization of a reserve component employee? SBA is working, and will improve its outreach efforts, and we look forward again to continuing with ESGR and others in this, to ensure that small businesses know about the assistance available should the owner or key employee be mobilized, or they understand that they will be mobilized. We really try to encourage small business owners that our Reserve and Guard members themselves to take steps prior to mobilization. We understand that if the time that you get your notice for your mobilization is too short, the idea of putting changes in your business plan and assigning over powers of attorney and all the other details that may be necessary, there just may not be time to do that. So that's what we're trying to do. The agency is

examining our programs including MREIDL to determine if application procedures can be improved given the short notice, again, that activated reservists and Guard members often receive.

We have a couple of recommendations for consideration as well by the commission. We would suggest that you should consider examining whether policies and practices of our NATO allies, Japan or Australia support in their activated self-employed reservists or for the reservist employers, where applicable, should be considered. And as an example, Great Britain, as I expect you are already aware, significantly revamped their financial assistance regulations and programs for self-employed reservists and their employers in 2005. If you have not looked at that, I would suggest that you do that. It really was a significant change, and they've gone through a significant amount of work to try to support the reservists in this regard. It might be useful again to examine that experience and see if there are any applicabilities to the United States.

Second: consider how to better coordinate existing efforts among federal departments and agencies to improve outreach and service delivery to reservist-owned small businesses and employees that are activated. SBA is proud to play its role in supporting these efforts.

In closing, SBA is grateful to the men and women who serve this country with distinction and often a great personal sacrifice. In cooperation with our federal partner agencies, we welcome the opportunity to assist small business owners and their employees who face financial challenges when called up to serve our country. Thank you, and I welcome any questions you may have.

MR. PUNARO: Thank you very much. That's very helpful. Dr. Sumner. How about turning your mike on there, if you don't mind. Thank you.

GORDON SUMNER: Mr. Chairman, and members of the commission. Thank you for your invitation for me to offer my perspective on the challenges facing self-employed reserve component members and the employers of reserve component members. Your invitation letter asked me to cover several salient points, and I will give you the department's position on those areas.

First, you ask what government and quasi-government organizations do to ensure the relationship between reserve component employee and employer stay strong? ESGR, on its own as well as in conjunction with our strategic partners, engages in a number of efforts to ensure that Employer Support of the Guard and Reserve is maintained. The cornerstone of ESGR employer support efforts is our statement of support. ESGR is asking all of our known employers of guardsmen and reservist to sign a statement of support which publicly affirms that the employer supports the service of their employees in the National Guard or Reserve and commits the employer to comply with the Uniformed Services Employment and Reemployment Rights Act, known as USERRA. When signed by the chief executive officer or other senior executives, this statement of

support clearly communicates to all managers and employees within that organization that reserve component service is supported. To date, I'm proud to say over 36,000 employers have signed statements of support.

The preamble to USERRA states that is the sense of Congress that the federal government be a model employer, and the federal government is the single largest employer of guardsmen and reservists. Last year, ESGR made history when it obtained a statement support signed by all 16 members of the president's cabinet. ESGR positively recognizes and reinforces outstanding employer support through a series of awards, beginning with the Patriot Award and culminating with the Secretary of Defense Employer Support Freedom Award, the department's highest honor for employer support. Any national guardsman or reservist can nominate their superior for a Patriot Award and in the past two years, ESGR has presented over 41,000 Patriot Awards to the supportive employers. Each year, National Guardsmen and Reservists are encouraged to nominate their employers for the prestigious Freedom Award. The secretary of defense presents the Freedom Award to as many as 15 employers. In 2007, we received more than 1,100 guardsmen and reservists at home and deployed taking the time to nominate their employer for this Freedom Award. The 2007 Freedom Awards will be presented at a patriotic ceremony on September 12th, at the Reagan Building in International Trade Center. Mr. Chairman, I would be honored to have you and all of your commission members attend this outstanding event.

ESGR also reinforces the relationship between employees and employers through its informal USERRA mediation. ESGR has over 900 volunteers who are trained in the USERRA and alternate dispute resolution techniques. These are volunteers, and voluntarily assist members of the reserve components and their employers when issues arise out of reserve component service. While statutory authority to investigate USERRA claims resides with the Department of Labor, ESGR's informal mediation helps employers and their employees to quickly and easily resolve USERRA issues. ESGR's informal mediation improves employer support by improving the ease with which all employer, particularly small businesses can comply with USERRA.

ESGR maintains a number of strategic partnerships with the other government and quasi-governmental organizations as well as trade associations, in order to positively impact employer support. As mentioned earlier by my colleague, the Service Core of Retired Executives, SCORE and the Small Business Administration are two of our strategic partners that have expertise and programs that can benefit small businesses and reserve component member owned businesses. As reserve component members who own small business or other small business owners contact the ESGR, we refer them to these organizations who we feel are best suited to assist them. ESGR also has strategic partnerships with the society for Human Resources Management, the National Federation of Independent Business, and the U.S. Chamber of Commerce. These organizations provide ESGR with a number of avenues for communicating about USERRA and employer support, as well as provide ESGR with important insight on how reserve component utilization affects employers.

Your second question asked what current programs could be improved to keep employers apprised of federal laws and regulations concerning reserve component employment? Perhaps the most important development of ESGR has been the development and implementation of the Civilian Employer Information Database, CEI, at the Defense Manpower and Data Center, prior to the development of the CEI, and the “Undersecretary of Defense for Personnel and Readiness Memorandum,” making it mandatory for reserve component members to provide CEI with information on their civilian employer. The Department of Defense had nothing more than anecdotal evidence as to where guardsmen and reservists were actually employed.

The CEI database has now allowed ESGR to communicate directly with the known employers of guardsmen and reservists. ESGR is using the CEI database to obtain signed statements of support. We have also produced a training DVD as designed to educate first line supervisors on their responsibilities under USERRA. Nearly 180,000 of these training DVDs have been mailed to known employers of guardsmen and reservists as identified through the CEI database over the last two weeks. In the 2007 report entitled “Military Personnel: Additional Actions Needed to Improve Oversight of Reserve Employment Issues,” the General Accounting Office noted that of the seven components, only the Army Reserves had met the Department of Defense’s established goal of 95 percent compliance with the under secretary’s mandate for members of the selected reserve to report civilian employment information. The Department of Defense partially concurred with this recommendation, and noted that timeframes for compliance are in place. Further more, the GAO noted that all the reservists are required to update their employment information when changes occur, the extent of which this update is occurring and the extent of which DOD’s employer data incurs current information on employers that is unknown. The department concurred with this recommendation, and noted that a revised DOD instruction 7730.54, reserve components common personnel data system requiring guardsmen and reservists to annually review and update their civilian employment information is currently in the staffing process.

ESGR is routinely asked by members of Congress, senior defense officials, industry trade groups and the media about the state of employers support within the United States. To date, the Department of Defense has not conducted a statistically valid survey of employer attitudes regarding the transformation from a strategic reserve to an operational reserve and the impact that mobilizations are having on the American employer. ESGR needs a routine, systematic and statistically valid survey, much like the status of – (unintelligible) – survey to effectively track employer attitudes and issues, in order to advise and assist the secretary of defense and the assistant secretary of defense for Reserve Affairs of matters pertaining to employer support and its impact on recruiting and retention. The office of the assistant secretary of defense for Reserve Affairs has contracted for a research and studies program to conduct a survey and analysis titled “Economic Costs to Employers for Mobilized RC Employees.” The results of this study should be available this fall.

Your third and final question was what can be done to lessen the impact on a small business of the mobilization of the reserve component employee? To the extent

that ESGR has considerable expertise on USERRA and provides free education and training to employers, ESGR can significantly reduce the cost of compliance for small employers. As you are fully aware, the cost of USERRA compliance are relatively insignificant compared to the operational and the economic impact on small business when an employee is mobilized for military service. The challenge in lessening the impact of the mobilization of a reserve component employee or employees who (own ?) small businesses is that ESGR's resident expertise is on USERRA, but really not on business.

The term small business also is emphasized and can refer to an employer of one or 100. As the commission can appreciate, the impact of a mobilization of an employer of one is dramatically different than it is for an employer of 100. The mobilization of an employer of a law firm will likely have a different impact than the mobilization of an employee from a construction company or from an independent restaurant. The mobilization of an employee of a family-owned business, or of a reserve component member owned business will likely have a different impact on the mobilization of an employee of a partnership.

Therefore I believe that the federal agency that is best suited to assist and advise small businesses is indeed, from my colleague and the Small Business Administration. As noted, the SBA aids, counsels, assist and protects the interest of small business concerns, in order to preserve free competitive enterprise and strengthen the overall economy of our nation. And as I had mentioned before, the SBA is one of our key strategic partners, and as a new executive director, I am committing to working with the SBA and to ensure that we maximize the importance of this operation as a strategic partner and to minimize the impact of mobilizations on small businesses and reserve component member owned businesses.

Ladies and gentlemen, this concludes my prepared remarks, and I hope that I have been able to clarify some of those challenges facing self-employed reserve component members and the employers of reserve component members. I am prepared to answer you questions. I have members of my primary staff members here. I thank you for this opportunity, and I look forward to your questions. Thank you.

MR. PUNARO: Thank you very much.

Dr. Golding.

HEIDI GOLDING: Good morning. Good morning, Mr. Chairman, and members of the commission. I welcome the opportunity to speak to you today about the effects of call-ups on employers. The welfare of those serving our country in the Reserves is an important and timely issue. However, the concurrence of reservist call-ups with the concerns of small businesses leads to difficult policy issues. My testimony today draws largely from a CBO study on the subject of reservist employers, and before I proceed, I'd like to thank the panel for their help or their organizations' help in producing that report.

My testimony focuses on three points. First, it appears from the data that CBO obtained that reservists are employed in a broad cross section of the nation's businesses. Second, although that's the case, the largest costs appear to be concentrated on relatively few businesses. Is generally not a significant issue for most civilian employers as a whole, but there is a sizeable impact on some small businesses and self-employed reservists. My third point is that the policy options revolve around either minimizing the overall cost of mobilizing reservists between businesses, reservists and DOD, or choosing the right balance between businesses, reservists, DOD and the taxpayer.

Now, whereas employers in the past have probably been able to adjust to the absences of their reservist employees, there's more concern that employers may be facing costly adjustments as their reservist employees are mobilized more frequently and longer than in the past. I have just a couple of statistics to give you to illustrate this point. In December of 2006, for example, 25 percent of the force deployed in support of the war were reservists, and through March of this year, the number of reservists mobilized has exceeded 580,000. Tours are typically one year longer. Prior to 9/11 in 1990, only about 20,000 reservists served for more than 180 days. And average duty days now have exceeded 70 days since 2003. In the late 1990s, the average duty days, excluding training was about 15 days.

So how has the increased mobilization of reservists affected employers? Well, first we need to know who are those employers, and there hasn't been a large amount of work done on this, and from the data that we had obtained, CBO found that reservists do work in all sectors of the economy. About 75 percent of reservists work for pay in the civilian sector. The remainder are students, are out of the workforce, are employed or work as full time reservists, the AGRs. Of those who work for pay, about 36 percent work for the government, the federal, local or state governments. That's about 220,000 reservists. There are a large number of reservists that are either self-employed or employed in small businesses. Roughly 8.5 percent or over 50,000 reservists are self-employed. About 18 percent of reservists who are employed in the civilian sector work for firms with under 100 employees. That's about 110,000 reservists. I'm talking about the (fluxed ?) reserves too, by the way. Of those 110,000 reservists, we estimate that between 7,000 and 28,000 of those reservists are likely to hold key or essential positions in small businesses.

But the costs appear to be likely concentrated upon – in some of these firms. What are some of the costs that employers might face? Well, there's uncertainty about when the call-up will occur and for how long, which makes planning on the parts of businesses much more difficult, and potentially more costly if they've planned incorrectly. If they anticipate a small or short call-up and it's a long one, they may have gotten a temporary hire and that temporary is no longer available. It can be very difficult. There's the cost of the vacancy itself. The firm incurs costs in hiring a replacement or overtime cost, if they have sufficient workforce to cover that vacancy. There's a loss of skills associated with that vacancy, and this can all be exacerbated by a lack of notice from the call-up. There's also the potential continuation of benefits that's required under

USERRA, that's primarily retirement benefits. And then of course, there's lost business income.

Now, there's not much evidence about the size of the losses, as my colleagues have expressed. We in CBO just surveyed of a sample of business that had reservist employees activated, and as has been mentioned, our biggest hope here is the CEI in which DOD has been collecting employer data, and will be conducting a survey within the next year or sooner on business losses. But we do know some things, and the first is that most businesses are not affected by reserve call-ups simply because they do not employ reservists. Only six percent of establishments, approximately, employ reservists. And CBO also concluded a couple of other things, and the first is that the costs of the call-ups are most likely higher for businesses requiring specialized skills. These are businesses that there are relatively few individuals with those skills, and so the time and money spent on recruiting or training or replacement can be quite high relative to other businesses. There's also the cost of the continued benefits which is higher for these employees generally. They are more likely to receive retirement and healthcare benefits than other employees.

Call-ups are probably more costly for small businesses losing key employee for some of the reasons I've mentioned just now, but they have even less ability to shift the workload among the remaining employees, because it's unlikely that they have more than one individual with those skills. And finally, the self-employed. They of course, possess special skills knowledge essential to their business. One DOD survey found that about 33 percent of the self-employed said that activation would pose a serious or a very serious problem for their businesses.

While many reservists are self-employed or employed by small businesses, there are roughly five million small businesses and 15 million self-employed individuals in this country. So those reservists really do make up a small fraction of the labor force. CBO calculates that about 20,000 firms, less than one half of one percent of small businesses have had key employees called up, and that is slightly about 37,000 reservist, less than one half of one percent, again, of the self-employed have been called up. But the losses that these individuals, self-employed or small businesses have faced can be quite severe. I think everyone has heard about some firms that closed down in the worst case scenario, for example.

So what are the policy options? Well, one is to minimize the cost of mobilizations assuming that the DOD policy of using reservists has not changed. Or you can try to balance the cost between DOD and the taxpayer, reservists and employers. Currently, USERRA shifts some of the cost of call-ups onto employers. It's been a very useful piece of legislation in that reservists do not fear retribution from their employers, they have a job to come back to, for example, and so USERRA regulates certain aspects of this employment. For example, businesses cannot discriminate in hiring pay promotion or retention of reservists. They must hold the job open for the reservists and the businesses must pay certain benefits such as pensions. And as I said, that's very useful for reservists, could aid the retention and recruiting in the reserves for example.

What happens, however, is that the additional costs from having a reservist are borne by the employer. They can't be shifted to the reservist through lower pay for example or benefits and there's a cost to employers. And then what can happen or might be considered is to shift some of those costs not onto employers now, but to the taxpayers as part of the cost of the war.

CBO looked at four different options. One was to provide tax credits to the employer or direct payment from DOD, and that could be based on any number of factors, ideally lost profitability, but that's very difficult to calculate, or it could be a paid, in lump sum payment for month activated for example. Another possibility that we looked at was to provide loans or subsidize loans, that would be similar to what Bill had talked about, or it could simply an expansion of the MREIDL loans, but greater flexibility and fewer eligibility requirements. Right now, for an MREIDL, that's basically the last resort when there're no other options for credit. The third option that we looked at was to provide business interruption insurance for call-ups. DOD had once offered an income maintenance insurance program for reservist in the mid 1990s, which was not successful, and there are certain things to be learned from that program, which we can get into if you'd like.

And finally, the other option that we looked at was whether to require DOD to change some of their policies. Right now, DOD has two screening programs. There's an annual screening which has been suspended actually, and then there's screening for mobilizations, and there's a possibility to exempts certain reservists when there's extreme hardship to the firm, or you could require to the self-employed to submit business plans, so that at least they have a way of tiding themselves over. Now, all the mechanisms will incur costs, but they will help alleviate the problems employers face. Just how much of the employers costs are offset however, will largely depend on how that measure is structured. Thank you very much, and I welcome your questions.

MR. PUNARO: Thank you. Mr. Daywalt.

TED DAYWALT: Excuse me. Good morning, Chairman Punaro, members of the commission and your staff. First, let me thank you for this opportunity to come before the commission today to share with you information that's relevant to your discussions. It's an honor to be here. As a former drilling Navy reservist who retired after 30 years of active and reserve service, and as a business man, a significant senior level civilian work experience over 27 years which I've been involved in that side of my life, I feel like I'm bringing an unique perspective to your deliberations. I've had the advantage of seeing these issues from the perspective of a reserve component member trying to balance a civilian career with my military obligations and as an employer of Guard and Reserve. And at VetJobs we deal with these issues with the Guard and Reserve on a daily basis, helping them and their families find good jobs.

In my written testimony I've made many suggestions for consideration, responses to three issues addressed in your letter of invitation. I can read the many different recommendations I gave. I want to emphasize the importance of assisting small and

medium size businesses, which is what the members of the panel have been talking about who employ members of the National Guard and Reserve and the self-employed.

Now the big-buck companies don't have a problem. You've got 70,000, 80,000 employees, and 500 to 1,000 are gone, that's not a problem. If you've got 60 employees and you take away my CFO or my VP at sales, I've got a real problem, and that's the way we look at it. Small and medium size companies, including small municipal organizations bear the largest strain when their employees are called up for service in the National Guard and Reserve. These employers have no legal and no financial recourse for compensation for their losses when their employees are called to active service. Traditional tax breaks take too long to be of any assistance to the small employer, and that's why I strongly recommend direct cash, reimbursement for the cost of these employers must bear to hire temporary labor and all the other associated cost while their employee is called to service. This is just the cost of doing business if we're going to continue to use the National Guard and Reserve beyond the traditional use for which they were established, and I give a very nice history about that in my written testimony.

I'd also like to emphasize the concept of providing year-around full health, dental and eye care to participating members and the families of the National Guard and Reserve. This should be a tremendous benefit to the employers who want to hire National Guard and Reserve. This should also be a major recruiting tool for the National Guard and Reserve. And this program is not at all that expensive when compared to what we're currently forking out at DOD.

In the written testimony I provided data from studies by business law report workforce management – sorry, Human Resource Management. In the civilian world these are considered to be extremely credible sources, and they clearly indicate that there is being resistance by corporate America to the way their employees are now being used as you pointed out. One study showed that over 54 percent said that they would not currently hire active duty people in the Guard and Reserve.

And while the findings of these societies are abhorrent to me, as a senior executive in civilian business I understand where they're coming from. You see, companies have a fiduciary responsibility to their shareholders and owners to run an efficient and profitable operation. Companies cannot do so if they cannot count on having their employees, their human capital being readily available. And companies rightfully consider the employees to be their human capital, not DOD's human capital. While for anyone who's been in a civilian senior management position, this is just common sense. Those making decisions on how to utilize the National Guard and Reserve at DOD seem to have missed what corporate America has been saying for the last 10 years. Yet, with the BLR workforce management, SHRM studies on the reemployment of the National Guard and Reserve personnel concern the express – (unintelligible) – the major VSOs, Veteran Service Organizations, and even with the multitude of press articles on the subject, senior level decision makers at the Office of Personnel Readiness at DOD seem bent on refusing to admit that there's even a problem, and this denial of reality is extremely disturbing to the civilian sector.

We should take a look at why the National Guard and Reserve have been used beyond their traditional role. It comes from needing boots on the ground in Iraq and Afghanistan. As a drilling reservist, I understand that. We've had to have our boots on the ground. And the fact that recruiting is suffering now, there are some ways to fix this.

In the short term, you can conduct a recall, voluntary mandatory, retired military and/or recruit retired military back to active duty. There are several hundred thousand in this pool. At VetJobs we hear regularly from people in their 40s who've retired, who go to recruiters, and the recruiters tell him, well, you retired, we can't bring you back in. There's a problem in the law there. These people would be more than willing to volunteer to come back. This is a highly trained reservoir of talent that could be mobilized quickly, if we can make a quick change in the law and the recruiting force can get the word out. This reservoir of talent can cut down the need to active the Guard and Reserve so frequently, and I talk in my written testimony about the other domestic things that have been traditionally used for which they can't be used for now.

In the long term, let foreigners join the military as a way to citizenship. This was done very successfully, by the way, by the Army in the 1920s. Seems that after World War I, due to all the carnage, you had a hard problem getting people to want to join the Army. The United States today has – depending upon what study you believe – 20 million plus or more illegal aliens in the United States. Such a move would give the military the needed troops for the Army and the Marine Corps. We're also teaching illegal aliens how to become good citizens, learn the language, pick up skills needed by industry. This would also address a political issue dealing with the illegal aliens in the workforce. In my neighborhood this guy that was – he's fourth generation Filipino – and his great, great grandfather came to the United States working for the U.S. Navy. We have hundreds of stories like that throughout the country. It would be a very good resource for us.

The country and DOD need to act quickly to rectify the situation regarding the frequent use of National Guard and Reserve. At a press conference in January 11th, Dr. David Chu, the under secretary of Defense for Personnel and Readiness was quoted to saying, the fact that some of the provisions Iraq experience will end up spending more than 24 months on active duty is no big deal. This cavalier attitude towards corporate America is damaging to DOD in its efforts to maintain the good relations with companies. And that one comment negated much of the fine work that ESGR and other organizations have done. We don't need situations like that.

Since the announcement of the policy and its various revisions, I've had the opportunity to confidentially talk with hundreds of human resources managers and senior executives with brand name companies, small medium size. Uniformly, they say they cannot support the way DOD now uses the National Guard and Reserve with the long call. They used to support it. It's the changes they don't like. And without the support of corporate America, the citizen soldier concept as we use it here in America cannot

work. It just will not work. With all due respect with Dr. Chu it is a big deal, and DOD needs to face reality and quit denying the truth.

In the civilian world we work in reality, because if I go out denying the truth, companies have a tendency to go bankrupt, and then boards of director have a tendency to fire presidents like me, so we pay real close attention to reality. George Orwell once said we sleep safe in our beds because rough men stand ready in the night to visit violence on those who would do us harm. The American public and especially the Congress need to understand the importance of Orwell's comments in today's world. The public and Congress needs to be supporting the National Guard and Reserve. These members are part of our frontline of protection against those who would do the United States harm and deserve our full support while they're on active duty and when they return.

This concludes my testimony. I appreciate your time. I'll be glad to answer any questions you may have.

MR. PUNARO: Thank you very much. All the testimonies have been extremely informative. Let me throw out a very general question to see if we can get, not some consensus on how to fix it, but just to make sure we understand what are the top two or three concerns – as you talk to people and visit around, whether you're kind of gathering data analytically, or you're gathering data anecdotally, you interact with small businesses all over the country, as do you and Mr. Daywalt – he's dealing with real people looking for real jobs, and I appreciate all these perspectives, but one of the top two or three concerns – you hear from employers when they come to the SBA and they say, wholly smokes, Bill, if only you guys could kind of get some out here in Washington the focus on this. What are the top two or three things that people in the business world are worried about when it comes to the Guard and Reserve?

MR. ELMORE: Certainly, the reservists – when I say reservists I mean Reserve and Guard – that I talked to personally, because some do find me, and I'm pleased when they do and we usually talk about some of these things. For the ones that I've identified that I think have been most damaged when they've been called there's a couple of things that come to mind. One is they lose their market. If you take a dentist away from his practice, I shouldn't say perhaps if you take him away, but if a dentist leaves his practice for mobilization, his customers go elsewhere because they still need dental care, his employees may go elsewhere, his equipment, his facilities may get old, the expenses are likely to continue, so while he's gone, those things carry on. He or she comes back and they have to almost start all over again depending again on the individual circumstances of the business. If they're in partnership with other dentist, perhaps they can overcome this and they just need to have some additional help. If it's a sole proprietor, then that's a significant problem.

So I think it's really loss of market is perhaps how I would think of it. And I think the other area that I find myself being concerned about is – as I've tried to pay attention and work with this community over these years now, I have a concern that

we're eroding some of the very skills that we so seriously and desperately need in our reserve components. If our dentists, our doctors or attorneys, our construction business owners face significant financial challenges every time they're called and they have to come back and continue to recover after they return, how many times can they go? And at what point do we no longer have those civil skills, at least as I read the QDR, what point don't we have those skills in the reserves anymore that the QDR tells us we need to fight and win the long war. So I think where we're heading is dangerous, and when we get to that point, I honestly can't tell you, because of most of mine it's anecdotal; it's the people that I talk to.

MR. PUNARO: Great. Thanks.

Dr. Sumner?

MR. SUMNER: Mr. Chairman, in discussions that I've had the opportunity to receive in my short tour here I've been able to go out so far to about two or three different states and talk to various committees that we have within the ESGR as well as employers, there really is a couple of things that I picked on rather rapidly. The first one is predictability, that our employers out there, be large or small, they would just like to have some sense of predictability as to when those Guard and Reservists will be called up. It's very difficult for a company, and having come from a small business myself since my retirement in the Army and worked in the industry for the last 10 years, having had guardsmen and reservists within my organization, it really is a challenge at the production level when I find, out short notice, that this individual or individuals are going to be deployed, and I have very little reaction time to replace that individual, shift personnel around, especially when you've got to take care of everybody else in that organization, too.

So I would say that the number issue that has been – (unintelligible) – to me is just predictability. Tell me what you're going to require, when you're going to require it and then stick to it. Which leads into the second one. A promise equals reality. If we're going to deploy an individual, or individuals, and we say that deployment is going to be for a certain mission and we assume that it's going to be for a certain time, then they're asking that that be the promise which then equals the reality. To read on the front page of the local newspaper that a Reserve unit from home town U.S.A. has been extended x-number of months, is the wrong way to approach it from the business view point. There should be some kind of connection so that we tell that employer, that business, upfront, not having them read it on page three. So I think that's one issue that I've been receiving from my visits and talking with those in the field.

MR. PUNARO: Great. Dr. Golding?

MS. GOLDING: Well, I defer to the other gentlemen here, but I do want to add on one more point about the predictability. It's also the time to (plan ?). There was a survey it was a couple of years ago from DOD, but the reservists said that they – quite a large number of them were giving seven days notice or less to their employers. That's

quite a scramble. You're going to have a vacancy at that point. If you can change that to two, three four weeks – four weeks would make a large difference in hiring a temporary employee. And one other point that I'd like to make, and that was just the limited talks that I had with employers that some of them were surprised about how long time it took them to recover once that employee was back. So loans were not necessarily in place, especially if it was for a self-employed, a reservist, and that could take several more months.

MR. PUNARO: Great. Thank you. Mr. Daywalt.

MR. DAYWALT: Excuse me. The Society of Human Resource Management has a survey just on that very topic. Last year, while some people call that anecdotal or not credible evidence, what they found – I think SHRM is very credible. It's the largest HR organization in the world. The primary thing they found – and these were medium to large size employers, not the small employer. I think Bill Gordon mentioned the small employer issue very well, but the number one concern they had was how long they were going to be away from the job, because – (unintelligible) – tell you you're only going to be gone six months. National Guard people being called up today are being told to plan on being gone for 24 months. That's what their colonels are telling them.

The other concerns in the – (unintelligible) – the burden on remaining employers who cover for the open positions. This is shifting my human capital around to cover production – (unintelligible) – with my company. Then number three, discontinuation cost for the employees and their families. The burdens that I got bear financially while this person is gone for which I get no compensation. And then the loss of productivity is number four. But that how long are they going to be gone – predictability is very, very important to know. At least then I can plan. They could plan on if it's only 30 or 60 days. When they have been gone for two years, companies will be totally changed in two years. So those are some of the major things I see.

MR. PUNARO: All right. I think on a couple of those they are well identified, and DOD realizes the Guard and Reserve personnel and the families, they want predictability as well and they want long leave time to get ready and all that, and their work and all that. Let's talk then a little bit about – we've got these concerns what we might do to help the employers ease some of their concerns. Over the years, as Dr. Golding pointed out, we had the mob insurance, the reservist – that was for the reservists, so the idea was to make up the differential in their pay if they got mobilized. Very few signed up for it, so obviously, they didn't consider it a very good deal so it kind of went crashing and burning. I don't think anybody ever looked at any kind of insurance for the employers. I frankly should know better. I didn't realize that the employers were required to pay into the retirement or the benefits. That's a hit to the bottom line for no productivity whatsoever. The individual is gone, and of course the government is paying into the – (unintelligible) – fund for the retirement for that Guard and Reserve person when they retire from the government if they stay long enough, and what we're now seeing is – is that – very few companies anymore have qualified benefit plans, so I assume that you're talking 401(k)s and things like that, so – I don't know how's the duty

expert here. The employer is required to continue to pay the same amount that that employee would earn – the employee match in a 401(k), is that correct, while they're gone?

MR. DAYWALT: The direct answer is yes. And not only cover that, if other people in their peer group are promoted, I would have to promote that person even though they're not there working. I have to guarantee them an equal job in terms of paying responsibility for when they come back. There's a lot of different things that we have to absorb here as civilian employers, but I think the real issue here is the length of time they're being used. Civilian employers are more than willing to help – I find universally most employers are very patriotic, very patriotic. They want to support. But when it got moved from 90 days to six months of being called up they start to say, wait a minute. You're hurting me here. Then when it went to one year, you're hurting me even more. I was talking about General Stoltz (ph). He's working at some plant – (unintelligible) – and had calling people up for two years, calling them up for 90 days every three years type thing. And trying – it wouldn't be as much of a burden, but it still comes back to the fact we don't have enough troops on active duty to meet the obligations. I know that's a policy issue above what you're looking at here, but those are the types of things that we got to consider.

MR. PUNARO: What are some of the – to close out here, what are some of the – people talk about tax breaks for businesses. You pointed out it takes long, and frankly, as Dr. Golding knows, we on this commission we deal in common sense, and when you're dealing with pay-as-you-go provisions, if you've got a revenue loser in the Congress right now, you've got to offset it somewhere else, so if the kind of the defense side of the House wants to say, okay, we're going to bring some kind of tax credit or tax benefit for employers that have reservists that are called up, that's just going to be back to – one, it's not going to pass unless there's an offset, two, it's going to come out of somebody's budget and it's going to probably come out of the defense budget, so they're not going to look very favorably on that. So what are some of the practical common sense incentives that we can give employers? I heard one which was if they're got – why not have the government cover health insurance for Guard and Reserves? That's a recruiting incentive for them to join the Guard and Reserve and frankly, a lot of employers now, a lot of states for example, if you're a retired military, they won't let you use the insurance in the company or in the state government. They say you've got your health insurance from DOD, we're not going to let you use it, and the companies will give a nominal amount of money to the employee, which is less than they would have to pay if they were paying for the health benefits. So there may be some options in there. Do any of you all have any thoughts on that one? We start with you.

MR. ELMORE: A couple of thoughts, and one is just I'm not sure that it's the answer, but I think there's been amongst the areas that we lack any real knowledge or information is what's the value, especially the small business that employ reservists. Because I think reservists bring skills and experience, DOD training, technology background to the employers that hire them, and I think there's a value there. So while that might exacerbate the problem when they're activated, the fact is – my guess is that if

you looked at the high technology world in America, reservists as employees and perhaps as business owners probably play an important role there, so DOD's training is an important piece as it plays into private employment. I think understanding that and being able to demonstrate that might help.

Now, the other would be I would suggest again you look at the United Kingdom's program. Having looked at that, I'm not suggesting that we should go to that because it's a really significant departure from what we do in America and what our allies do, but they recognized that there was a problem, their system was more similar to ours before they changed it, and they now do provide payments to employers, they provide coverage for everything from pet care to maintenance on your home while your activated and a number of other things in between. So they've really taken very significant steps. I realize their scale of reservist activated is different from ours, so it may not be a good model, but I think there are a lot of things to learn.

MR. PUNARO: We'll take a hard look at that.

Dr. Sumner?

MR. SUMNER: Sir, what you've asked is really kind of an area that we don't fall in. However, I would like to add on to what my colleague has mentioned already as far as we go out and we're talking to these employers and they're asking us the "so what" question, if we were to do this. And again, we like to tell them about the benefits of having a reservist and a guardsman, the fact that you get somebody who's not only trained, but they're physically fit, drug free, they've already been screened, they have leadership training, and then what I ask them to do is put a dollar value onto that kind of training that they would then have to take, had that individual or individuals not been in the reserve components, put them through their management cycle and how many dollars they're going to have to invest in this qualified and highly skilled individual to get them where they are, and then put a comparison to that of what we already bring in, and the answer comes back nine out of 10 times they'll say what we just probably skipped anywhere from three to five years of employee training cycles, so then you do that and you can put a dollar figure to that. The other thing is what I've asked my individuals to do, my staff and myself as I go out, is I like to hear from them what are their issues, and from that I can better feed that into my colleagues and their organizations so that we can have the right policies, the right procedures to ensure that our reservists, as well as our employers of these great men and women in the Guard and Reserve are taken care of, both as active duty times as well as at home stations.

MR. PUNARO: Dr. Golding?

MS. GOLDING: I just want to add that a slight (change ?) here that some firms really do want to employ reservists for different reasons. The bottom line, they're more skilled potentially, but there's evidence that they continue to want to employ these reservists, and that is many of the employers that we've come across actually have benefits that exceed USERRA's requirements where they pay the differential, if there is a

differential between the military pay and what they were earning before, and that's I think a very important aspect to this, that you're not necessarily going to want have all these businesses not wanting to have the reservists. They are a valuable resource. But for those businesses that are harmed, if there are difficulties with broad program, there are certainly certain targeted or limited programs that might be very helpful, and it could be DOD payment to just a very targeted population. Those things would need to be worked out.

MR. PUNARO: Great. Thanks. Mr. Daywalt.

MR. DAYWALT: I want to reinforce what Dr. Golding just pointed out. Most people actually do want to hire military. They like everything that comes from for the reasons that Gordon and Dr. Golding mentioned, and of course one of the biggest reasons we find is they want those security clearances. But they're concerned about – if you're going to do something, we recommend that you don't call people up for two years at a time. I can't run a company with somebody gone two years. Keep it to six months. We can almost tolerate six months, unless it's a key position. When I was president of one company, if my board knew that I could have been called away for a year, I would have been dismissed. My board of directors wouldn't like me to sit there. I didn't tell them but – I would have been dismissed. It's that simple. You've got to be realistic about this, so if you want to make a really strong – what's going to help the employers? Make better use of the Guard and Reserve and reduce the amount of time they're being called up and solve the other political problems so that we're using them the way they should be.

MR. PUNARO: I think Dr. Sumner – you want to add – we're getting ready to switch here to another commissioner so –

MR. SUMNER: Just real quick, sir. Again, I mentioned in my testimony about our Freedom Awards and this was alluded to what the employers are doing above and beyond the USERRA law. It's absolutely fascinating what these employers are doing out there for our Guard and Reservists. You read these stories and it almost brings tears to your eyes it's what they do. And I would again, please invite you to look on your calendars for 12th September, and be part of our Freedom Award ceremony that night at the Reagan Building.

MR. PUNARO: Well, thank you very much on that. And as we switch over to Commissioner Lewis for her questions, she reminds me that there was a legislative provision in last year's Authorization Bill that prohibits employers from paying employees to not take the healthcare cost provided by the business and use the government system. So that loophole is no longer there.

So Commissioner Lewis.

PATRICIA LEWIS: Although, Mr. Chairman, I'm sure there's ways to find out there are incentives around that, but I do believe the Arms Services Committee did

address that in some way last year. I'd like to continue just a little bit on healthcare, if we could for a couple of minutes. The fiscal year '07 Authorization Act expanded the TRICARE Reserve Select benefit to make all members of the selected reserve eligible to participate in the program at a premium of 28 percent comparable to what the federal employees pay for the Federal Employee Health Benefit Program. Mr. Elmore, in your testimony you talk about outreach in business counseling. Are provisions like this something that you incorporate in your regular interactions as part of that outreach in counseling?

MR. ELMORE: It's a very good point, and I think to be honest with you, I really don't know that answer in detail. My guess is given – this is a guess – given the breadth of our business counseling experts, unless they've been provided some detailed information about that very provision, they're not going to be aware of that. So the idea that we can provide that level of reservists specific business counseling, I think is probably at least not right now realistic. I think we'd have to take some special effort to identify those kinds of things and perhaps we could that with DOD, and I think we'd be open to that.

MS. LEWIS: That would be great, because that was rather significant, and I know there's a strong arguments for going even further with the health benefits, and we'll get to that in just a moment as well. Dr. Golding, have you done any analysis of the potential impact of providing stipends for healthcare, either to the employees or to employers?

MS. GOLDING: Apparently we have not at CBO looked at that issue at this time.

MS. LEWIS: If any other witnesses have any comments on their views on the benefit for detriment of offering a stipend, I'd be very happy to hear that.

MR. DAYWALT: I wouldn't call it a stipend, but the idea – as in my written testimony, I think it would be a real recruiting hook if – if someone joined the Guard and Reserve, and you said, okay, just because you're in the Guard and Reserve now, you'll have complete medical care for your family, the entire time that you stay with the Guard and Reserve. That would help. Now, whether you do through stipends or through a TRICARE – please don't do it through VA.

MS. LEWIS: The reason I asked the question is because of the continuity of care issue, and I understand a lot of family members are hesitant to move from TRICARE to their employee provided health plans, and we've given some thought and done some analysis of whether or not a stipend or some sort of payment to subsidize their existing programs might be appealing in some venues. Mr. Elmore.

MR. ELMORE: Can I make what I think is a fairly generic comment? In the context of issues that small business owners face, if not the number one issue, certainly very near the top is access to healthcare, and if a reservist who is in the labor market has

that healthcare they bring with them, that would, I think, be a really strong incentive in addition to the skills that they bring, because it almost would give a small business a competitive advantage if that expense is no longer theirs. Now, it may cause problems with other employees of that small business so that probably would have to be looked at, but I think overall it would really give a competitive edge to the reservist in the small business commitment looking for employment, and perhaps as well for those that are self-employed.

MS. LEWIS: Which leads perfectly to my next question. Is there some way to develop some sort of compact with employers that could include the expanded or full health benefit for employees and their families directly with the employers in exchange for some sort of commitment rather than have it be more open-ended or with the reserve component member themselves?

MR. ELMORE: I think from my perspective, that's the kind of question I probably would need to go back to the agency and talk with our experts around healthcare and the whole arena, small business employers and the healthcare question, perhaps our office of advocacy, perhaps our office of policy, and others. So I think if you wanted to follow up with us, or you wanted us to follow back to you on that, we'd have to take a look at that in a more clear way and understand where you might be trying to go and probably give you some response to that.

MS. LEWIS: Okay. Thank you. Dr. Sumner, do you have any comments? No? Mr. Daywalt?

MR. DAYWALT: I'm not an expert on healthcare. I just pay the bills, but my gut would tell me that if you did a national program for members of the Guard and Reserve through somebody like a Prudential or Blue Cross Blue Shield, the insurance companies would definitely be interested in that, and it would be like Bill was talking a real benefit for – as an employer, if I didn't have to pay healthcare costs, I'd run organizations with thousand and thousands employees. If I could say these 600, I don't afford the healthcare cost, just help my bottom line big time, and I'd be all behind you.

MS. GOLDING: I just wanted to add that, because you are helping employers so significantly, you really need to look at the cost on the government's side to that. I think that one of the – the Kaiser survey as of a couple of years ago, the employer costs for a family was over \$8,000 per year. I'm sure it's much higher than that at this point. So if you're going to give that coverage to every selected reservist, you have 800,000 selected reservists. That could be a large tab.

MS. LEWIS: Absolutely.

MR. DAYWALT: She's correct to a point, but if you take what we're paying the Guard and Reserve now after de-mob, while they're mobilized, pre-mob, and you start working things out on large programs, if you took some of the money out or recruiting where we're spending hundreds of millions of dollars just trying and we're still not

making our numbers, you saw what the April numbers were, they were all down for the Guard and Reserve, we could take some of that money, move it over, I think you'd find it to be more of a (wash ?) than a real cost.

MS. LEWIS: Thank you. Mr. Chairman, I have more questions, but I'll let my colleagues have a round first.

MR. PUNARO: Okay. Thank you. And I think one of the things we will do particularly in the personnel and compensation area, one of the principles that we had at the beginning of our commission was think smarter not richer, but you have these tradeoffs that make a lot of sense. My guess is, and CBO will not want to hear this, is as we get some of these provisions, we're going to want to get some real cost data and some economic data to make sure we don't throw just benefits at the wall, because that's kind of what's been having in the cumulative effect of these benefits is the testimony yesterday that the cost of personnel and the cost of healthcare has just eaten at this budget in large Packman bites. Commissioner Dawson.

RHETT DAWSON: Thank you, Mr. Chairman. Thank you for your testimony, each one of you on the panel. I appreciate it. I'm going to actually direct my question at just two of the witnesses. One, first, Dr. Sumner and then Mr. Daywalt. What I couldn't tell from your testimony, Dr. Sumner, is the extent of the commitment that the Department of Defense has to talking to and working with employers, and I'm going to be a bit bureaucratic about this and try to ask you to answer that question in terms of how many people you have working for you that are undertaking to communicate to the employers. And then secondly, how many people you actually have working for you just generally? And then third, whether you view it as your job within the Department of Defense to be – I noticed you're the advisor to the assistant secretary of defense for Reserve Affairs on all matters involving employer support programs for the reserve components, but are you the principal voice between the employers and the Department of Defense? Is that how you view yourself? Any order you'd like you can take those three questions.

MR. SUMNER: Thank you, sir. Will go with the hard one first. As far as my duty assignment, principal voice. I have a great boss that is very interested in letting the new kid on the block come in with some ideas, a fresh set of eyes to an ESGR organization that has been around since 1972. And from that, and having been a volunteer in the organization off and on for the last 10 years, I've had the privilege of – (unintelligible) – what you would say both sides of the fence. So having the principal voice with the amount of work that we do and my travel schedule, where I get that opportunity to go out and meet and greet various employers of large and small businesses scattered around our country, I get feedback from them, and I have an open door where I can go in and talk to my boss, the assistant secretary for Reserve Affairs any day of the week, as well as emails so that we can maintain that contact, I can give him a feel, a pulse of what's going on from the employer view point. So yes, sir, I do have that privilege. As far as the staff –

MR. DAWSON: So you do view yourself as the principal advisor to the assistant secretary as to what's going on out there in the employer community. Is that –

MR. SUMNER: With regards to what some of their feelings are along with my strategic partners, (that would ?) then our organization within DOD for questions involving the employers' feelings, concepts, thoughts, concerns with having reservists secretary calls me.

MR. DAWSON: Thank you.

MR. SUMNER: Yes, sir. Staff. I have approximately 50 full time staffers in our office in Roseland, a mixture of military and government civilians and few defense contractors. However, the bulk of our work and really where the success of the ESGR is coming is from our over 4,200 volunteers in every state and territory in the United States as well as Heidelberg, Germany. We have 56 field committees, and the reason it's 56 because you add up the states and the territories and it doesn't add up is California is so large geographically that we split in into a northern and a southern region, so we have two field chairs for the state of California plus our additional one in Heidelberg, Germany. So that's where we get the bulk of our work.

And as far as talking with our employees, a significant challenge that we have at one of our mantles is our outreach program, and with our 4,200 plus volunteers, they are out and about within the communities. We have a variety of programs and you're welcome to visit those as well off our website to get additional information, because we are under a time constraint, but such events as Boss Lifts where we bring certain individuals together, we fly them to an installation so they can see their reservists, their guardsmen working in that environment so they can gain their appreciation. We have breakfast for the boss, we can brief them about our organization and what we can do to help them and carry that message back to the Department of Defense, that voice, that principal voice, so we have those kinds of relationships, that kind of makeup.

My goal this year is two primary things within this arena: maintaining line of communications both ways from the fields to my office, my office up and back, as well as increasing our volunteer support. I would like every volunteer out there to bring one person to that field committee over the course of the year. I think the benefits would be more than just double.

MR. DAWSON: Thank you. Now, Mr. Daywalt. My impression, and you can correct me if I got a bad impression or a wrong impression, what you said was implicitly to criticize, not just the programs that might get in the way of employer support, but just as importantly the fact that how those programs are communicated, and whether or not the Pentagon is doing a good enough job of communicate with the employers. Did I get that right? Was that – did I read too much into what you were saying? I found it eye opening actually.

MR. DAYWALT: I think I'll start answering your questions by saying I'm not politically correct.

MR. DAWSON: We knew that I think from your testimony but –

MR. DAYWALT: And I'm proud of that. I'm one of his 5,400 volunteers and I think what ESGR does is incredible. If anything, they don't have a big enough budget, personal opinion. Because what they do really impacts the employers.

MR. DAWSON: I was going to ask him that question, but I think he is bound to give me the answer. He (certainly ?) has enough resources.

MR. DAYWALT: And to be fair, some of chairs are better in some states, and not as good as others, but it's a really vital – (unintelligible) – to the employers. I think they need more money so that they can be involved with the local Chambers of Commerce. Most people don't realize that all the U.S. Chambers of Commerce compete with each other. The Atlantic Chamber competes with U.S. Chamber competes with the Dallas Chamber. There's a lot of money that needs to be spent in those areas to get the word out. But yes, I am a little critical. I have a generalist view of the way some secretaries have treated civilian employers and that is a very fair assessment.

MR. DAWSON: The U.S. Chamber did write a letter back in January, I think, saying that it's imperative that DOD do a better job of communicating its policies surrounding the use of the reserve component to the employer community and that was kind of my impetus behind my question.

MR. DAYWALT: That's why I put in the recommendation of a maybe a civilian review panel. I don't care what you call it, I'm presently – (unintelligible) – is nonprofit supports the ESGR. They can be used for this. Bounce some of these ideas off of the civilian employers, not just the (big-box ?) stores, but a representative around the country of medium and small companies, so that the employers don't feel like they're being kicked around, because that's how they feel.

MR. DAWSON: Okay. Thank you. So that gives me one more – I still have time to let you expand on that, Dr. Sumner. What do you think about that idea of having a committee that comes in and gives you more support and tells you how to communicate better?

MR. SUMNER: Sir, I've got 56 leaders out there who provide me all kinds of advice on a daily basis. I have –

MR. DAWSON: How often have they met with the secretary of defense?

MR. SUMNER: Right now, we have no procedure in place for the state representatives to have direct access to the secretary of defense. We do have within the organization out of OSD Reserve Affairs and the secretary's office, the Defense Advisory

Board. Their charter is to provide advice to the secretary on those issues affecting Guard and Reserves and their employment and the employees. So they meet semi-annually, that's a directed chair position appointed by the secretary for defense, our organization provides them support on this annual basis, and so that's really a good mechanism for the secretary to get a feel. We just had a meeting about two or three weeks ago, and the deputy secretary came down and spoke as well to the board. So it has quite a bit of visibility.

The one thing I wanted to add real quick is that when you were talking about the staff, one of our new initiatives is that we have contract support right now, we have over 150 personnel, support personnel that are assigned to every state in territory that could use that kind of support out there, and some have one, some have two, depending on the needs, size – (unintelligible) – those committees, and that's contract support. Absolutely a great program, extremely high return on investment for our taxpayer dollars. The challenge is within the budget that we have, that's primarily funded through supplemental funding, so one of my goals is to make sure that we have the right funding that's in the budget cycle that will continue this really outstanding program through our PSS and APSS program.

MR. DAWSON: Mr. Chairman, Mr. Daywalt. I'm going to use up more of my time. It's up to you whether you want to allow that or not.

MR. PUNARO: Go ahead, Rhett.

MR. DAYWALT: Sometimes perception becomes reality, commissioner. When I go to Society Human Resource Management Conference and the president's award is given out, it's given out by the president of SHRM, the same thing with – (unintelligible) – and all these others. I encourage you all to go to the Freedom Award, but it's called the Secretary of Defense Freedom Award. In the last three or four years, the secretary of defense hasn't been there to give the awards even though he was in town. And the way employers look at that, they say, gee, I'm getting this award but I guess you don't think enough of it to come down and give it to me.

MR. DAWSON: Thank you, Mr. Chairman.

MR. PUNARO: Thank you.

Commissioner Eckles.

LARRY ECKLES: Good morning and thank you for your attendance and your valuable input to this commission. Mr. Elmore, this morning you made reference to the Military Reserve Disaster Economic Injury Disaster Loan program. Are you satisfied with this program, or do you have any specific changes that you would recommend to improve the program?

MR. ELMORE: Actually, I've been tasked by my administrator to produce a plan and some recommendations for how we can improve the program. I'm not sure that I should go into details here since my boss has asked me to produce that for him, but I'm sure when I'm done with that, it will be out there and publicly available, and I expect, if it includes for example changes to the legislation, which it likely would, that will probably go through the OMB to Congress to seek those changes.

MR. ECKLES: Do any of the other witnesses have any input as to how this program could be improved?

MS. GOLDING: I just want to add one or two comments on that, and the program as it exists now, those loans are available only during the period of military conflict, so of course right now they're available. But if the reserves are continued to be used after this conflict, in large numbers, these loans would go away. So that's one thing to consider. The second thing is that the eligibility is restricted to businesses who cannot secure credit elsewhere, which really quite limits the population. Now, that would be one thing that I would consider whether or not to change that. One other aspect of those loans that we heard was that for some of the self-employed, they couldn't apply for those loans, they didn't apply for those loans until they had come back from their mobilization, which they're already in the crunch. So you might want to consider pre-approving the loans prior to activation. Now, I'm not a banker so I don't know. These are just some thoughts that we've had.

MR. ECKLES: Okay. Thank you very much. Mr. Chairman, that's all I have.

MR. PUNARO: Commissioner McKinnon.

DAN MCKINNON: Just to endorse your being not politically correct, Mr. Daywalt, I think having illegal aliens serve in the military is the wrong thing. They have no loyalty to America, they're here by violating the law. That's not the kind of people you want in the military. But I want to talk a moment about the act that concerns service members and their protection, Servicemembers Civil Relief Act, but more importantly here, I think you rise, and also Dr. Golding raised the issue about benefits to employers. And we keep hearing stories about tax relief, about subsidizing loans to employers and so on, but nobody offers anything specific. What kind of tax benefits work for an employer? What are the details? Do any of you have any ideas on that, because all this keeps bubbling up but nobody has specifics. How do you deal with an employer? Go ahead, sir.

MR. ELMORE: I'm not sure that I can tell you how you deal with it, but I'll give you what I believe. If you're talking about a real small business, a self-employed reservist, I'm not convinced that tax credits are going to do somebody who faces insolvency much good at all. So I'm not convinced that that's really the direction to go, but I also think if you read Dr. Golding's report, what they really talked about is sort of a range of how do you deal with this, given the range of the size of businesses and the specific kinds of effects that an activation may have on one business compared to

another, so as a part of a continuum, if you will, of how you deal with this there may very well be a good set or a good fit for some kind of tax credits, but I'm not convinced for the smallest businesses it really would be very helpful.

MR. MCKINNON: And exactly what kind of tax credits would you – we talk about employer problems here, and the war on recruiting and providing benefits to people who would be recruited in the Guard and Reserves, and the problem is we want to talk about employers, and nobody really seems to come up with anywhere we've been, solutions.

MR. ELMORE: One of the pieces that I did in reference in my testimony, but that I've reviewed it was a 2004 Institute for Defense Analyses report that Dr. Godds (ph) had produced, and he raised this question of sort of fairness. We have six percent of employers and less than one half or one percent of the self-employed, essentially subsidizing the war effort, and I think that's not the exact language he used, but it was pretty close to that. If tax credits made sense in how to mitigate that sort of subsidy that's implied for employers who incur expenses through USERRA requirements, perhaps that would make sense. I'm not a tax expert though, and I think if you wanted a sort of a detailed response from us about tax applicability to this issue, I probably would ask you to send us that question and let me engage my tax experts at the agency so we could come back to you with a better answer.

MR. MCKINNON: Well, I hope you would for the record. Does anybody else have any specifics – Dr. Golding?

MS. GOLDING: Just a couple of comments. We dealt with the question of tax credits versus direct payments from DOD, because you do have some tradeoffs between the two. For tax credits, I think Bill is correct. Those are most hurt by a call-up may already have no profitability, they won't receive anything depending on how it's structured, it's also non-profits that aren't paying taxes in the first place, so you need to consider that carefully. You have problems with compliance, et cetera, when you have the tax credits.

Some have thought of different ways to pay directly or through a tax credit. It can be structured very differently. Ideally, you want to structure a credit or a direct payment so that you compensate for the decrease in profits. That's very hard to do. We talked with employers that they couldn't really tell us how many they lost because there was a downturn in the economy and their sector at the time, and so there are many factors that affect profitability. Instead, a payment could be based on different measures, one of which could be the reservist civilian pay, for example. That's a measure of productivity. Or you could have a fixed reimbursement rate.

Now, there are pluses and minuses to each of those things. For example, a fixed reimbursement rate for month activated, some employers are going to get overcompensated potentially, some under compensated. As once this DOD survey is out and we have more information, we will hopefully know what segments of businesses,

what fields they're in, and so – (unintelligible) – that have higher losses you might be able to tailor a fixed reimbursement rate although more directly to the losses. But it is a – I think in all these methods, some employers are going to get overcompensated, some of them not compensated enough.

MR. MCKINNON: Mr. Daywalt, did you have something you want to say?
Okay –

MR. PUNARO: Right. Thank you.

Commissioner Sherrard.

JAMES SHERRARD: Good morning. Just to follow up in the questions that my colleagues have been going for. I'm going to talk a little – ask you a few questions about USERRA, and specifically, it's the information passage of the requirements of USERRA to employers. Are there recommendations that any of you might have that we could help improve how the employer really understands the requirements of USERRA, and tied with that are there ongoing studies that you may know of looking into the requirements of USERRA and trying to change some of those particularly as they relate to those self-employed members because many of the provisions of USERRA don't cover those people and they're left out there after their activation sometimes with some unbelievable challenges facing them as they come back, and as you may have mentioned, sir, the individual using the dentist, for example, who loses his or her practice starting all over again. You can't do that more than once, I think, and survive as a family. There are some horrible stories that go back from the First Gulf War, and I'm sure there's others that are going on here. So I would ask each of you related to USERRA how can we better – recommendations that you may have on how we can better get to the employers exactly what those provisions are, and then the other is changes that we need to make that law better for both the employer and the reservists and such.

MR. ELMORE: I can try to start. I'm not an expert on USERRA. I've certainly done a lot of work with the Department of Labor and ESRG, but I will share with you, I think, a little bit different approach to that. One of the things that has come to me from the reservists that I've talked with, and I think you have some reservists on your next panel and you may talk with them about this is not USERRA as much as the Servicemembers Civil Relief Act. There's really not a lot of applicability the way it's drawn right now to small businesses, and I actually have chatted with my staff this morning. I've been doing this work now for years and I'm still challenged to figure out who is responsible for Servicemembers Civil Relief Act. And that may be just as important to the self-employed small business man or woman who's in the reserves as USERRA is.

MR. SHERRARD: Thank you.

MR. SUMNER: Sir, to help answer some of your questions, one of the things that I've noticed in looking at the history of the ESRG, now that I've come on board, and it's

a good new story I think. If you look at the 2004 data, we had over 8,000 USERRA type actions where we were going out to talk, and from that – and when I say USERRA, I'm talking about just talking going out. And we were just getting more and more going with that. We have, as I've said in my testimony over 9,000 – (unintelligible) – trained individuals that are out and are stayed in territories doing good work in this – (unintelligible) – field surrounding the USERRA facts.

The other piece that I'm very excited about is that, just recently in our 2006 data, we had 3,100 requests for assistance pertaining to the USERRA law. That's just over 50 percent of what we had of the same type of request for USERRA assistance as early as 2004. So the numbers are coming down. We also have noticed that we are now less than 50 percent of those case studies that are having to be referred to the Department of Labor in this last year since 2004. Again, that's another great new story that we are getting the word out. However, can we do better? Absolutely. ESGR has linked with the Department of Labor and has recently put online what we call the USERRA one on one online training course that anybody can go online and be informed and well trained in the USERRA requirements for businesses. It's a great opportunity, very easily, it's very user friendly, and it's one of those things that I believe will also assist in answering your question how we get out.

And last but not least, again with our outreach program as we talk to individuals, we want to make sure that the core element of our organization being that – (unintelligible) – program surrounded by USERRA that's part of our keystone piece in our outreach program, and we do that through a variety of ways and means that I've mentioned earlier, as well as through our DVD training, our DVD, the 180,000 went out that provides that information and we get early reports that they've only been for two weeks, early reports are that it's been well received and we're already getting more and more requests for additional DVDs.

MS. GOLDING: I would just go back to the Civil Relief Act. Currently, some of the self-employed can get some relief from that. There are certain business loans that can be deferred or lower interest or such, and it might be worth looking at that act to see what else could be done for employers.

MR. DAYWALT: I want to take a different tack. The Civil Relief Act and USERRA were written for a different environment. I don't think none of those laws were written – or policies were put forth, nobody's thinking of people being gone for two years. They were thinking in terms of 60 to 90 days. So you may need to take a look at that. The real issues from the civilians employers side is most of them don't have a problem with USERRA. Once it's explained to them, they say okay, we'll be glad to help, and ESGR has been great at getting that out. They're just upset that you take my human capital away for two years.

MR. SHERRARD: Thank you very much, Mr. Chairman.

MR. PUNARO: Okay. Dan, you had a quick question before we go to Commissioner Stockton.

MR. ELMORE: Excuse me. Is it not an employer, I think, in Ramona who's with me. She can correct me. I think it's the state of Oregon or it may our Veterans' Business Development officer assigned to our district office who's working with the state of Oregon. If it wasn't Oregon it may Washington State.

MR. PUNARO: Thanks. Commissioner Stockton.

DONALD STOCKTON: Thank you all for being here today. I'd like to direct this question to Dr. Sumner. I know you're only been on the job for 50 days and you've not had the opportunity yet, with all the opportunities and the possible problems that might be in this regard be fixed in 50 days, you've at least had an opportunity to get your feet wet. I guess I really have just one question, and I'd like to know are there any programs under consideration now by the Department of Defense that are designed to reduce the financial impact to reserve component service members and their employers when they're called to extended active duty.

MR. SUMNER: Mr. Commissioner, I appreciate these comments. At the least the president gets 100 days, so I'm still in the middle of my honeymoon. But in answer to that question, again, that's one of those areas that's not within my organizational charter so I'm not really prepared to answer that, but I'd be more than happy to turn that over with my staff, and we'll at that and come right back.

MR. STOCKTON: I suppose part of that answer might be to once we get the full report that you mentioned in your testimony, that's going to be a key thing, and in your job to advise the assistant secretary about these types of issues, that's going to be a critical report that we can hang our hat on and really start working on it.

MR. SUMNER: Yes, sir.

MR. STOCKTON: Do any of the rest of you have any comments about any knowledge of any specific DOD programs that are being considered?

MS. GOLDING: For reservists also?

MR. STOCKTON: Yes.

MS. GOLDING: There is a Reserve Income Replacement program that I think it passed in the (MDAA ?) in for '07, it might have been '06, and so it's fairly limited program of income replacement. You have to have (involuntary ?) status and then completed 18 months of consecutive duty, active duty or there are some other conditions, or 24 months within the previous 60 months. So it's a very limited program, and as of January '07 this is the first year it's been enacted. Only eight people had applied. There is some program out there. I think the number of people that qualify for it is very limited.

On the employer side, there has been legislation for tax credits in the past. I do not believe that any of these have passed as of yet.

MR. ELMORE: Your reference DOD, and I just received an email from a colonel that I've been working with now for a number of years and trying to help envision through and design what they call the Army Advantage Fund, so you may want to look at that, because as I understand it presently, that will include active Army and Army Reserve. So back to your question, that may be effective and helpful especially in recruiting for Army Reserve.

MR. STOCKTON: Thank you all.

MR. PUNARO: Commissioner Stump.

GORDON STUMP: Dr. Golding, I'm very aware of the failed insurance program for Desert Storm one. The government was saying, hey, this is going to pay for itself, everybody's going to sign up for it, and then only a few will be activated and it will all pay as you go, except they didn't make it mandatory and the only people who signed up for it were those who were activated, and I had people doing that, encourage them, yes, you all should sign up for this, this is a good deal. And of course, the thing went bankrupt over night. But I think that there is something out there especially for the self-employed, the doctors, the dentists, the et cetera. Has anybody even considered, I think, a full proof method is to take the previous years' income tax return and make up the difference, and this won't be – you're not going to be able to figure out how to make the soldiers to pay for this. This is going to have to be above and beyond.

MS. GOLDING: Well, the Reserve Income Replacement program also applies to the self-employed. As it's structured now, you'd have to be on active duty for quite an extended time. I guess there have been questions about what to do for the self-employed, and that's a very difficult issue because they are very different from the rest of the employers, and some people have been really strong advocates of some type of income replacement, some because the deployment lengths have been so extended and the argument is that the individuals when they first joined could not have known what to expect. There have been other individuals also who have argued that the self-employed really shouldn't get any type of extra consideration, and this is just something to keep in the background, and that's simply because when they joined the Reserves, they knew that their businesses could take a hit, and so when they joined even knowing that they joined. And it's a voluntary type of thing.

One concern that I might have in the replacement scheme for reservists is just the pay equity issue within the military. There has been really the idea of paying for the military skills that you have, and this breaks that link to a certain extent so that you're being paid based on your civilian skills that you bring in as opposed to the skills that you're using in DOD. Presumably, there's a good match. One alternative is some type of activation pay if there are shortages with the medical occupations, which then you're not talking about different pay amounts for different individuals. Everybody in that

occupation would get this activation pay or this reenlistment bonus or what have you, and you would still be able to meet your recruiting and your retention needs. So that's just –

MR. STUMP: That's an idea. Somebody looking at it?

MS. GOLDING: I don't know how far they've been going into that. But there are reenlistment bonuses for medical. I don't know if they're adequate or not at this point.

MR. STUMP: Mr. Elmore?

MR. ELMORE: Sir, our office of advocacy has had discussions with folks that work in the assistant's secretary for Reserve Affairs office and part of the discussions have been about trying to access perhaps quarterly or monthly tax deposit records in congregate, not individually, so that we can identify pre-mobilization income compared to post-mobilization income. So you may want to follow up with the assistant secretary's office on that. And I think to Heidi's point, I don't know of anybody doing this, but others have suggested to me, for example, with high level recruitment and retention bonuses, if that's the proper terminology. I don't know how much funds go into those arenas if you're having a special recruitment effort to identify doctors and bring them in for example, and is it more cost effective to do those sort of individually focused where you have serious shortage recruitment efforts, or is it more cost effective to have a broader program that includes that that may be based on what you're asking about them, some form of income insurance or whatever it might be. I honestly don't know the answer, but certainly I think those are questions worth considering on the part of the commission.

MR. STUMP: I think in the last year the Army spent a billion dollars on those particular things, so that's a good point. Dr. Sumner, the one thing that – I know the CEI database is good because it helps you identify all of these employer whether they're big, small et cetera, but there are some reservists who would just as soon not have their employers know that they're in the Guard and Reserve for reasons that were indicated earlier. Now, I think you can require – I guess you're trying to require them to tell who their employers are and they're going to be a little nervous about that probably, but is there some provision to say, okay, I'll tell you who he is, but don't you dare contact him. Is there a box you can check to do that or –

MR. SUMNER: Yes, sir. The CEI database is the non-attribute type. So we're just looking to see what employers are out there that have a guard or a reservist within that organization. It doesn't specify who, what department or anything. It's just we know that this particular company has reservist personnel in that organization.

MR. STUMP: Oh, good. A significant number of the reserve component members that are called up to active duty work as first responders in their civilian jobs and they'll pull over 2,100 law enforcement agencies by the – Police Executive Research found that 44 percent of the police forces have lost personnel to call-ups and 80 percent

of law enforcement agencies in the country have 20 or few smaller officers, the loss of one or two can leave really significant gaps. Law enforcement agencies say they're already suffering from a shortage of sworn officers, some of them drawn to the private sector where newly created homeland security jobs pay more than what the small cities do, but should we have some laws, regulations or policies instituted to restrict the ability of first responders to serve in the reserve components, because I know in Michigan we had four transportation companies and we had a lot of our first responders and police officers that were dual members, and these guys get called up and you have a big emergency, a civil emergency and they can't be in both places. Do you think we need to restrict that or leave it open? Any thoughts?

MS. GOLDING: DOD does have two screening mechanisms. The one has been suspended, the annual one, and then I think there's a screening mechanism for mobilizations now, and one of the exemptions can be based on community hardship. Now, I don't know how well known it is, I don't know exactly what the procedures are or how many people have been exempted through that program, but it might be something to look at.

MR. STUMP: Okay. Thank you, Mr. Chairman.

MR. PUNARO: Okay. Commissioner Thompson.

STANTON THOMPSON: A couple of just short questions looking at my watch, and to you Mr. Daywalt. I appreciate the effort of the ESGR in terms of their statement of support which is a commitment from employers, but do you think, when an individual service member puts their hand in the air and takes the oath, they sign a contract with DOD that says they're going to serve for a period of time, would employer agree to sign that contract?

MR. DAYWALT: It's a good question. The answer would probably be some yes, some no. Keep in mind that historically, most of the people that went into the Guard and Reserve came off active duty. Today, most of those people aren't joining the Guard and Reserve because they know they're going to be recalled right away. And in the Navy Reserve intelligence area that I used to be in for the last year and a half, all the people going to the new officer course had no prior service because they couldn't get people security clearances to join the Navy Reserve. But the – I'm not sure all employers would want to sign that.

MR. THOMPSON: Well, I guess where I was coming from, if there is some kind of compensation packet put together, I would think if I were an employer, not necessarily – well, I won't say that the way I thought it – I would want some assurances that the government would deliver the benefits. It seemed to me like there's some kind of contractual agreement with the employer would almost be necessary if we could keep it within 400 pages of obligation. The second question, and you were concerned about duration of deployment, is something that I hear from other employers that I've talked to, but it's a little difficult for operational commanders fighting the fight to be able to give

employers certain guarantees unless we have this huge pool of manpower that will allow us to do that. Would an incremental phase of benefits, the longer the (duration of ?) activation, the increase in benefits compensation would that help offset some of your concerns?

MR. DAYWALT: I think for many employers, that would, but I think that comes back to something that you pointed out that DOD is going to make a commitment, it needs to stay behind it.

MR. THOMPSON: Yes. Okay. That's all I had, Mr. Chairman.

MR. PUNARO: Okay. Thank you. We hit our timing on the mark, not by precision but by luck, so I want to thank each of our witnesses here today for your terrific service. Those of you that are serving in government, those in government that have previously served in uniform, our private sector witness who's also served his country in uniform and continues to work as a volunteer in the Employee Support of the Guard and Reserve. This has been extremely helpful. As I mentioned, as we develop some options here, we'd like to get back with and bounce them off of you and get your reactions to them. We found that in our March 1 report that was a good way to make sure unintended consequences were aired out. As you develop some of your new initiatives, we'd love to have you feeding them into the committee in the course as CBO does their work, we'll continue to look at your reports as they come out. So thank you all very much for being here today. Again, tremendously helpful, and looking forward to staying in close touch. What we'll do know is we'll – commissioners can take a quick break as we reset for the second panel. Give you about five minutes.

(End of panel.)